

MEMO TO: Mr. Ray Naughton of North American Philips Company

SUBJECT: Meeting with Mr. Rowland, Signal Corp, Industrial Mobilization Section, and Mr. Hengge, Industrial Specialist NY Air Force Procurement, regarding participation in Industrial Mobilization Plan by various American Philips Companies.

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1. Regarding your reported conversations with the above parties, believe you should definitely and frankly tell them the fact that all American Philips Companies are ineligible for classified contracts allegedly for security reasons. You should explain to them that all Philips companies have been denied "access to classified Army, Navy, and Air Force contracts as a result of the original objection and action by the U.S. Navy." I believe you should explain to them that the objections and action of the U.S. Navy has never been explained and that all efforts have failed to get the Navy to submit any plants to security inspection, nor have we even been able to get a hearing or a bill of particulars. That the only official reason given was that the various American Philips Companies were "not spawned in the U.S." (Statement of Assistant Secretary of Navy, Koehler).
2. I recommend that you tell the Industrial Mobilization people that we are informed as to an alleged dossier of allegations which Navy Intelligence or the Central Intelligence Agency have on both the American and Dutch Philips Companies but that in every particular that we know, if given the opportunity, we could prove either the facts or the conclusions incorrect. We are also acquainted with the fact that the Navy has spread the report that the American Philips Companies are owned and controlled by the Dutch Philips Company and that there was leakage of classified information from the U.S. to Holland. Please inform all concerned that we are prepared to categorically prove these statements incorrect.
3. The Industrial Mobilization people should be told the true facts--that all the American Philips Companies are American corporations manned principally by native-born American citizens (the very few exceptions are Dutchmen who will become American citizens in the near future) and that the stock of all the American Philips Companies is held by the Hartford National Bank and Trust Company, as owners. The Hartford National Bank is an American corporation founded in 1792. The officials of the bank and the Advisory Committee are all prominent native-born American citizens. The only rights of the individual stockholders (not the Dutch Philips Company) are the rights of investors or beneficiaries only. That is to say, the right to participate in any dividends when, as, and if, declared by the Trust. The stockholders are 86% Dutch nationals, 2% British, 4% French, and 8% General Electric, an American corporation. By the laws of the various countries involved, no stockholder can even be in any area controlled by the Russians. You should also explain that the Trust and the American Philips Companies and their American management are quite willing to put into effect any procedure required by the Navy or any authority to further guarantee security and particularly to prevent any possible flow of classified information from the U.S. to without.
4. I wish you would also explain that this setup was created principally to afford American defense and American industry the advantage of a one-way traffic of scientific information and know-how from outside the U.S. and particularly from the Dutch Philips Company and its laboratories which contributed, together with R.C.A. and G.E., so much to many vital scientific fields. Also that

some of the American Philips Companies plants are vital in any war planning, one representing one of a total of five plants of its kind in the U.S. and Canada.

5. The Industrial Mobilization people should also know that this setup (the Trust and American Philips Companies) was approved by the State Department, Department of Justice, and the Armed Forces, as secure and proper during World War II even though the Dutch Philips Company at that time was in occupied Holland and that the Dutch company, its personnel, the European stockholders and relatives, etc., had a gun in their back. The Industrial Mobilization planners should also know that there was no question with regard to the security of the American Philips Companies until late 1947 and that the trouble has mainly arisen as a result of the objections and action of the U.S. Navy and perhaps by a coincidence following efforts of certain major competitors to purchase American Philips' plants or facilities and the confirmed reports that the Central Intelligence Agency had many communist informers in Europe.

6. The personnel of the American Philips Companies and the Trust believe that the discrimination against the American Philips Companies is caused either by communist propaganda or suspicions and reports planted by communist informers or the work of competitors or both, and feel that this case definitely proves the correctness of the recent report of the Research and Policy Committee of the C.E.D. enthusiastically received by the press and the public of the U.S. This report severely criticizes the Armed Forces' arbitrary condemnation or discrimination of contractors and individuals on mere suspicion of being insecure. The report stated that "security measures uncurbed by the requirements of freedom can undermine our free institutions."

7. The Hartford Trust and the American Philips Companies would welcome the opportunity to prove their security and have repeatedly asked for a hearing and full investigation by the F.B.I. Brigadier General Hayes B. Kroner, U.S.A. retired, former Chief, Military Intelligence Service, War Department, and a Director of Philips Laboratories Inc., Prof. Duffendack, American born scientist, chief of one of the highest classified scientific sections under Prof. Compton and Bush, President of Philips Laboratories, Inc.; A. A. Berle, Jr., former Assistant Secretary of State, counsel for the Hartford Trust and American Philips Companies in this matter; and the undersigned, former Branch Chief, W.D.G.S., consultant for the Trust and American Philips Companies, can be confidentially contacted at any time by the Industrial Mobilization planners. The undersigned can supply evidence with respect to U.S. Government Top Secret clearance and commendations thereon up to 1947 to the proper parties.

John V. Grombach